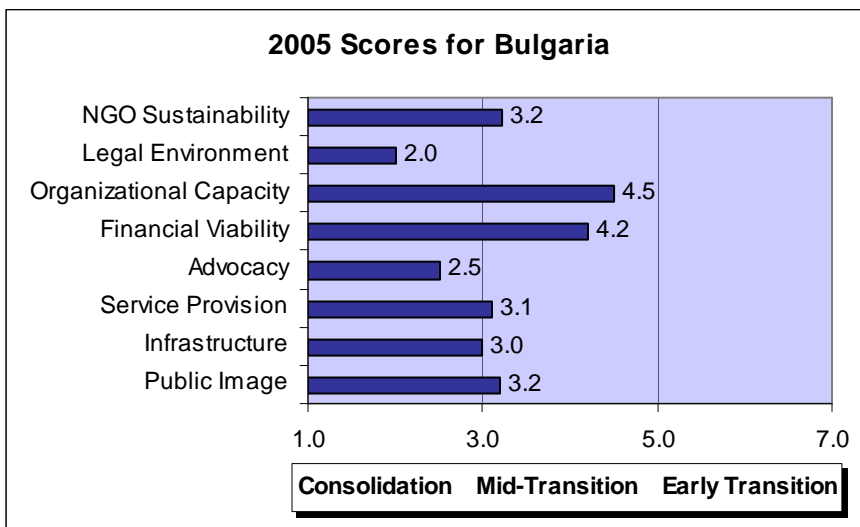


Bulgaria



Capital: Sofia

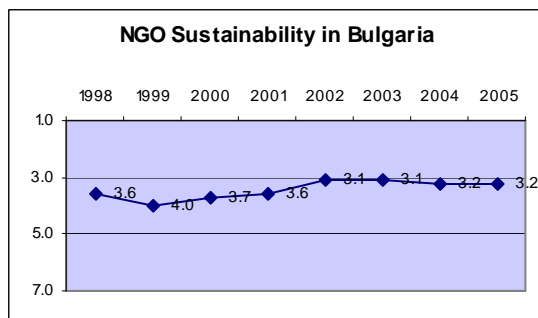
Polity: Parliamentary democracy

Population: 7,385,000

GDP per capita (PPP): \$9,000

NGO SUSTAINABILITY: 3.2

Midway through 2005, more than 20,000 nonprofit organizations, including community centers and sports clubs, were registered in Bulgaria. Of the 20,000, only 3,500 are registered as public benefit organizations, and similar to last year, 2,000 are considered active.



Over the past year, the nonprofit sector enjoyed greater freedom to realize its capacity, and provided a wider variety of services to the public, as well as the government and business sectors. Both the central and local governments increasingly prefer to partner with NGOs in

strategic planning and the development and implementation of national and regional policies. Despite these positive developments, the sector is experiencing a difficult period. The reduced level of support from foreign donors is only partially offset by the increase of local philanthropy. As the NGO sector restructures itself, advocacy organizations are facing significant organizational and financial challenges. Service organizations, on the other hand, are improving their capacity and financial viability.

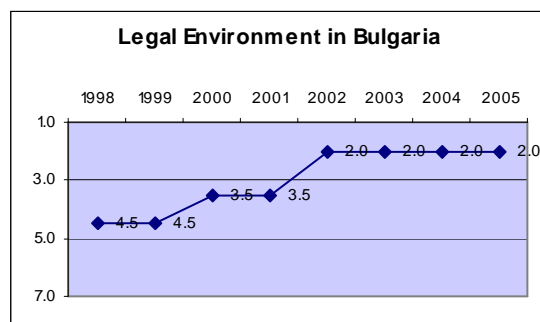
The Organizational Capacity and Financial Viability dimensions have prevented the sector from entering the “Consolidation” phase of NGO sustainability. In fact, these two dimensions are mutually dependent, and when weak, result in the defection of the sector’s most qualified professionals. If the sector continues to lose its most experienced personnel, it will no longer be able to provide the government with the professional expertise that the government and business sectors seek in their partnerships with NGOs.

LEGAL ENVIRONMENT: 2.0

The legal environment governing NGOs did not change over the past year. The registration process remains easy and quick, and the

associated fees are acceptable. Training programs for the court staff that oversee the registration process have increased efficiency in

processing applications. NGOs do not consider other laws, which address issues such as management, scope of permissible activities, and accountability, to be an impediment to their development. The rules and regulations are thought to be supportive and prohibit undue government interference.



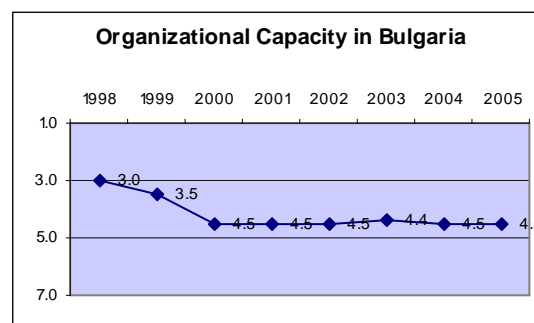
Over the past year, however, a growing number of NGO representatives have become more cognizant that the law precludes NGOs from providing health services while allowing for-profit corporations to do so freely. The government introduced new licensing and monitoring provisions that regulate organizations providing social and educational services. NGO representatives welcome these new regulations.

ORGANIZATIONAL CAPACITY: 4.5

Organizational Capacity remains the weakest dimension. While the government and business sectors continue to develop their organizational capacity, NGOs do not. The majority of NGOs lacks both a clear mission and strategic plan. A growing number of organizations participate in training at the national, regional, or local levels to improve their capacity for strategic planning. Few, however, have been able to use this experience to formulate broader strategic plans for their organizations. The majority of NGOs also lacks a clearly defined administrative structure delineating specific job descriptions and responsibilities. Apart from the approximately one-hundred leading organizations that work with foreign donors, typical NGOs are not able to adhere to accepted standards of transparency and accountability. Any efforts to do so are generally initiated in response to donor

Though the legal framework fails to guarantee that organizations will not be subject to administrative or political pressure, no problems were reported in 2005. Organizations are free to criticize or even sue government authorities without fear of repercussion. Tax benefits and exemptions remain unchanged, and difficulties with the VAT exemption continue to be the primary tax problem facing the sector. The UNDP and World Bank successfully negotiated some important concessions, but implementation of the VAT remains plagued by technical impediments. The sector took advantage of beneficial amendments adopted last year allowing organizations to participate in government contracting and procurement opportunities. Though legal services have improved in quality and are more readily available, they are often prohibitively expensive and inconvenient for organizations in small towns and villages. The Bulgarian Center for Not-for-Profit Law (BCNL), with its network of advisory centers, is one of the few organizations that provide accessible legal services to the NGO sector.

requirements and do not survive far beyond the life of the donor's funding.



As foreign funding recedes, organizations have stopped investing in organizational capacity. New local donors, such as the central and local governments, have yet to show an interest in funding organizational capacity building. The number of persons engaged in NGO activities

has increased, primarily due to the rapid growth of the social-service organizations. Though the number of salaried employees continues to rise, they are primarily short-term staff and the number of permanent employees is actually decreasing. NGOs, particularly the largest ones, are increasingly becoming incubators for professionals who defect to the government or business sectors. Organizations are no longer

able to attract top professionals as they once did. One reason for optimism is the growing number of youth who are becoming involved in NGO activities as volunteers.

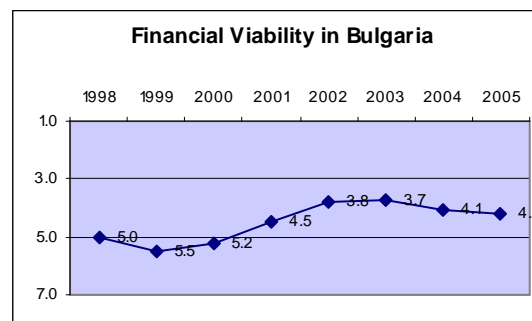
Access to technological resources is no better this year than last, with the exception of internet access. Technology is another area in which NGOs are not able to keep up with the government and business sectors.

FINANCIAL VIABILITY: 4.2

The environment in which NGOs exist is shaped by two factors, the waning of foreign funding and the sharp increase in funding from local sources. Though the availability of resources has increased, NGOs generally are not close to achieving financial viability. NGO service providers have benefited the most from the new government programs, especially those initiated by the Ministries of Labor and Social Policy and the Environment, and the Home Office. Advocacy organizations are increasingly unstable due to their continued dependency on foreign donors, who are withdrawing support. The Civil Society PHARE program offered some stabilizing relief for those NGOs that qualified for grants, though it has had little impact on the sector's overall financial viability.

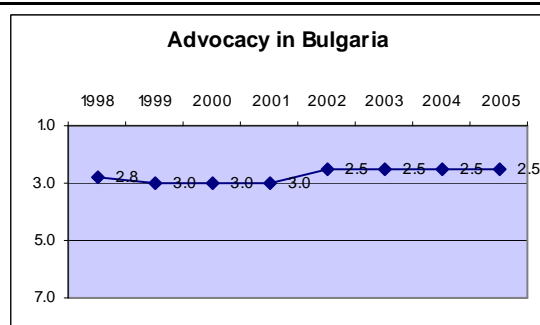
The majority of organizations are actively searching for alternative sources of funding. Those that have developed the capacity to engage in economic activity and provide services for a fee are most likely to achieve the greatest level of financial viability. Businesses continue to offer minimal financial support for

NGOs. An increasing number of public benefit organizations, however, have initiated income-generating activities supporting their not-for-profit cause. There were some successful fund-raising campaigns in 2005, especially following the summer floods. These efforts, however, were led by the private and public media and not the NGO sector.



Only the leading national NGOs have a stable, properly functioning accounting system. Most organizations are unable to afford independent financial audits or publish their annual reports. To do so would strain the financial stability of most organizations.

ADVOCACY: 2.5



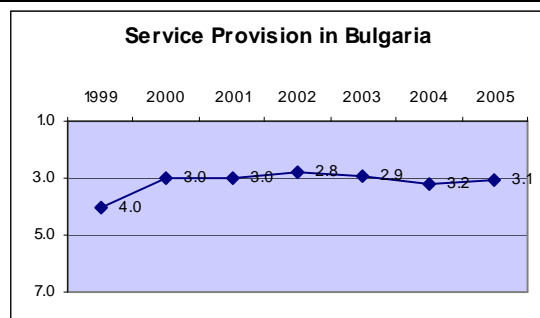
Over the past year, NGOs have increasingly collaborated with officials from both the central and local governments to develop and implement policy. The dialogue between the government and NGO sectors has become more frequent and direct. Government officials have a growing appreciation for the expertise that NGOs have to offer and are solidifying partnerships and cooperation with more contracts. Despite these improvements, NGOs have failed to organize any coalitions around

particular events or issues. To the degree that civil society committed to an issue such as the summer floods or protests, the media and informal civil associations were the forces behind the movements.

NGOs have not forfeited their roles as critic of government policy. Instead of achieving their goals by applying public pressure, organizations are engaging in direct dialogue with government officials. While this is a positive development,

NGOs must be careful not to lose the ability to communicate with their constituencies. Many organizations seem to have already lost their abilities to defend the public interest as evidenced during the 2005 parliamentary elections. Many NGO experts believe that had civil society organizations been more active, they may have prevented the nationalist Attack political party from gaining the popularity and strength that it did.

SERVICE PROVISION: 3.1



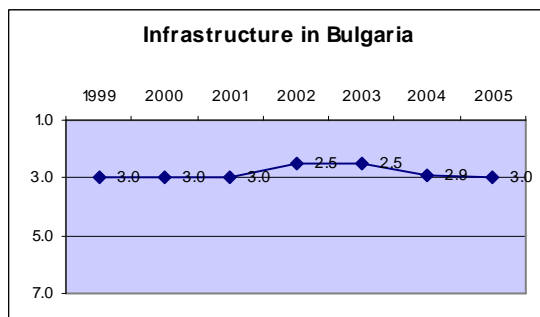
In 2005, NGOs increased their capacities to provide goods and services, in part due to procurement opportunities offered by the central and local governments. NGOs are most successful when providing social, educational, public relations, and IT services; the sector is recognized as a market leader in these areas and is becoming more competitive in others.

Financial instability forces organizations to market their products and services, and react to the needs of their customers. Organizations are working to broaden their portfolios. Competition with for-profit corporations has forced NGOs to lower prices for their services, which has, in turn, brought accusations of unfair competition.

Both the central and local governments appreciate the benefits of the public services that NGOs offer. They also recognize the risks associated with NGOs offering educational and social services. Officials continue to restrict NGO involvement in providing health services, though for-profit corporations have provided these services for many years.

INFRASTRUCTURE: 3.0

The Infrastructure dimension continued to be affected by both negative and positive developments. Intermediary Support Organizations (ISO), NGO Resource Centers, and local grant making organizations continued to depend on the support of foreign donors, who are withdrawing support.



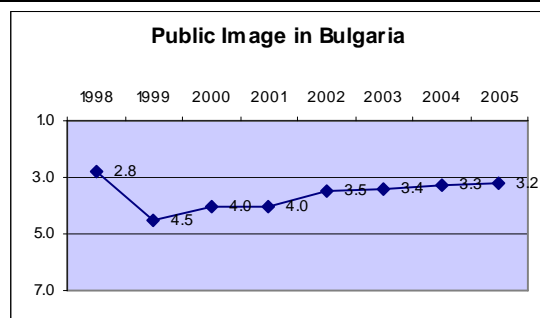
The demand for partnerships among NGOs is growing, though NGO partnerships often take the form of bidding consortiums rather than coalitions networking around specific issues. The tendency towards consortiums is a result of the business models promoted by the public procurement process in which service organizations now participate. Advocacy organizations are the only organizations in the NGO sector that build coalitions or networks.

NGO infrastructure has improved, with greater access to training available in areas such as strategic planning and financial management, in which the internet and universities play an important role. The greatest improvements came in the area of inter-sectoral partnerships

between NGOs, government and media; not a single local or regional strategic plan, required

by the European Union, is developed without the active participation of the NGO sector.

PUBLIC IMAGE: 3.2



The Public Image dimension slightly improved over the past year. The NGO sector avoided involvement in scandals, which have marred its public image in the past. Partially a result of sustained cooperation with the media, organizations continued to use public relations skills to promote their activities. Government

officials and corporations that do not compete with service providers have a positive view on the NGO sector. Specific segments of the population, however, have an increasingly negative view of NGOs, specifically those involved with Decade of the Roma Declaration and other human rights organizations. This can be explained in part by the increase in xenophobia and nationalism that gave rise to the Attack party in the June Parliamentary elections. The future impact of the movement could harm the greater NGO sector.

NGOs have not adopted a code of ethics, nor have they demonstrated a willingness or preparedness to do so. Leading national NGOs fronted the most serious campaign in years to address corruption within the NGO sector.